



Canopy Growth (TSX:WEED) Stock Is Down 14% in the Last Month: Should You Buy?

Description

In the context of what's going on in the market today, i.e., trade uncertainties, an inverted yield curve, a heavily indebted consumer, and general global malaise, a 14% drop in the stock price of **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) is nothing to be shocked about.

With the Canadian economy seeing slower than expected GDP growth again, this time coming in at 0.4% compared to expectations of 0.7%, we are seeing more and more to be nervous about.

Here are two things that I would keep in mind when making the decision of whether to buy Canopy Growth stock on weakness.

First is the fact that the medical side of the [cannabis](#) industry is certainly a defensive business, as we would not expect spending on medical care to be reduced no matter the state of the economy. So that's the positive.

The second is that Canopy Growth Corp. stock is trading at very [high growth](#)/high expectations valuations, which has been a winning combination in the last couple of years or more. Canopy certainly has strong business fundamentals on its side to back it up.

But looking deeper and focusing on it from another perspective, we can see that the type of growth and expansion that Canopy is chasing comes at a price. A market that is more worried and anxious, as we are seeing more of recently, may alter investors' focus from top line revenue growth, no matter how explosive and impressive it is to bottom line results.

In fact, at the time of writing, the market is down almost 120 points, or 0.74% today (Friday). In this type of market, investors will be more risk averse and pay more attention to risks and bottom line earnings.

In the third quarter of fiscal 2019, the company's loss from operations was \$157 million; for the first nine months of the fiscal year, the company had a loss of \$1.45 per share.

While this is to be expected, as the company is embarking on a very aggressive growth strategy, it's nevertheless something investors should watch, as it is falling to the bottom line, reducing earnings and cash flow numbers.

Also, shares outstanding increased dramatically, because of acquisitions and internal compensation.

The fourth-quarter report will be released on June 19.

In summary

In closing, I would like to say that I believe in the cannabis industry and its secular growth trajectory.

Current market weakness will provide us with the opportunity to get into Canopy Growth Corp. at lower prices without feeling like we are buying into a stock held up by straws and euphoria.

Let's stay calm. Value is being created today.

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